

Local Use Tax

Many cities and counties have use tax requirements patterned after the state law. Purchases from in-state vendors located outside these cities and counties for use within could be subject to their use tax. If a local city or county sales/use tax is paid under a requirement of law, no other additional local tax is due for the subsequent use in another city or county.

Rental Tax

The gross receipts (including any rental tax invoiced) from the leasing or rental of tangible personal property are subject to the state rental tax at the following rates:

Automotive vehicles .....	1.5%
Linens/garments .....	2%
Other .....	4%

When an operator is provided with the equipment the transaction is considered a service rendered not subject to rental tax.

Due Dates For Rental Tax

A taxpayer whose total state rental tax liability averages less than two hundred dollars (\$200) per month during the preceding calendar year may elect to file and pay state rental tax and state-administered local rental taxes on a calendar quarter basis. The election to file and pay quarterly must be made in writing to the Alabama Department of Revenue no later than February 20 of each year in which the taxpayer wishes to file and pay taxes quarterly. Quarterly returns and payments are due by the 20th of January, April, July, and October for the previous calendar quarter's rental receipts.

A taxpayer whose total state rental tax liability during the preceding calendar year was ten dollars (\$10) or less shall file and pay state rental tax and state-administered local rental taxes annually. The annual return and payment is due by January 20 for the previous year's rental receipts.

Taxpayers who do not qualify to report and pay taxes annually or do not qualify and elect to file and pay taxes quarterly must report and pay state rental tax and state-administered local rental taxes on a monthly basis. Monthly tax returns and payments are due by the 20th of each month for the previous month's rental receipts.

Lodgings Tax

The lodgings tax applies to all charges made for use of rooms, lodgings, or other accommodations by every person, firm or corporation who is engaged in the business of renting such rooms or lodgings or furnishing such accommodations to transients for periods of less than 180 days of continuous occupation. This tax also applies to charges for personal property used or furnished in such rooms or lodgings.

All persons, firms and corporations are subject to this tax who operate any hotel, motel, rooming house, apartment house, lodge, inn, tourist cabin, tourist court, tourist home, camp, trailer court or any other place where rooms, apartments, cabins, sleeping accommodations, house trailer parking accommodations or other accommodations are made available to travelers, tourists or other transients. Lodgings tax returns are filed monthly.

Lodgings Tax Rates

In any county which is located in the geographic region comprising the Alabama mountain lakes area, those being Blount, Cherokee, Colbert, Cullman, DeKalb, Etowah, Franklin, Jackson, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan and Winston, the rate is 5% of the charge for such room, rooms, lodgings or accommodations, and the rate of 4% of said charge in every other county.

Local Lodgings Tax

The applicable local lodgings tax rate should be charged in addition to the state lodgings tax.

Records To Be Kept (Sales Tax Law Section 40-23-9):

It shall be the duty of every person engaging or continuing in this state in any business for which a privilege tax is imposed by this division, to keep and preserve suitable records of the gross sales, gross proceeds of sales and gross receipts or gross receipts of sales of such business and such other books or accounts as may be necessary to determine the amount of tax for which he is liable, under the provisions of this division. It shall be the duty of every person to keep and preserve all invoices of goods, wares and merchandise purchases, for resale or otherwise, and all such books, invoices and other records shall be open for examination by the Department of Revenue or its duly authorized agent. Any person selling both at wholesale and retail shall keep his books so as to show separately the gross proceeds of wholesale sales and the gross proceeds of retail sales. All sales shall be subject to tax in the absence of such separate records. (Acts 1959, 2nd Ex. Sess., No. 100, p. 298, §7; Acts 1992, No. 92-186, §65.)

Some of the records that should be maintained include: purchase invoices, sales invoices, bank statements, daily sales journal, cash register readings, income tax returns, etc.

Over Collections Law

The Alabama Legislature passed Act #87-662 effective Oct. 1, 1987, providing that any over collection of sales tax by a retailer from the customer must be paid to the state unless such over collection results solely from rounding the correct amount of tax upward to the nearest cent per Sales Tax Law Section 40-23-26 (d).

Example of an over collection of sales tax that should be paid to the state is if the 4% tax rate is charged to the customer instead

of the correct rate of 2%. The 4% tax collected would be due to the state. Another example would be charging tax on an exempt sale.

Over collections of local sales tax must be reported and paid on your local sales tax return in the same manner as over collections are to be reported on your state sales tax return.

Sales tax must be added to the sales price and collected from the customer per State Sales Tax Law Section 40-23-26.

Alabama Taxpayer Service Centers

**Auburn/Opelika** – 3300 Skyway Drive (36830)  
P.O. Box 2929, Auburn (36831-2929)  
Phone – (334) 887-9549

**Dothan** – 344 North Oates Street (36303)  
P.O. Box 5739 (36302-5739)  
Phone – (334) 793-5803

**Gadsden** – 235 College Street (35901)  
P.O. Drawer 1190 (35902-1190)  
Phone – (256) 547-0554

**Huntsville** – 994 Explorer Boulevard (35806)  
P.O. Box 11487 (35814-1487)  
Phone – (256) 922-1082

**Mobile** – 955 Downtowner Boulevard (36609)  
P.O. Drawer 160406 (36616-1406)  
Phone – (251) 344-4737

**Montgomery** – 1021 Madison Avenue (36104)  
P.O. Box 327490 (36132-7490)  
Phone – (334) 242-2677

**Muscle Shoals** – 874 Reservation Road (35661)  
P.O. Box 3148 (35662-3148)  
Phone – (256) 383-4631

**Jefferson/Shelby** – 2020 Valleydale Road, Suite 208 Hoover (35244)  
P.O. Box 1927, Pelham (35124-1927)  
Phone – (205) 733-2740

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P.O. Box 2467 (35403-2467)  
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PUBLISHED BY THE  
**Alabama Department of Revenue**  
**Office of Taxpayer Advocacy**  
[www.revenue.alabama.gov](http://www.revenue.alabama.gov)

SALES TAXES

■ Sales Tax Report

■ Sales Tax Rates

■ Sales Where No Tax Is Due

■ Miscellaneous Information

Topics addressed in this brochure are not intended to be a complete discussion of the Sales Tax Law. Topics addressed are the common problem areas for most taxpayers. If you have questions on topics not addressed, please feel free to contact the nearest Taxpayer Service Center at the appropriate telephone number listed at the end of this brochure. Also, keep in mind that the sales tax rates and other information included in this handout can be changed by Acts of the Legislature.

Sales tax is due on retail sales of tangible personal property and is due from the consumer (your customers). You, the seller, will act as an agent for the State and collect the sales tax from your customers. Each month you will pay to the State the sales tax that you collected from your customers.

### State Sales Tax Rates

**1½% MACHINES USED IN MANUFACTURING:** applies to retail sales of machines used in mining, quarrying, compounding, processing, and manufacturing of tangible personal property and the parts for such machines.

**FARM EQUIPMENT:** 1½% rate also applies to the retail sales of any machine, machinery or equipment which is used in planting, cultivating and harvesting farm products, or used in connection with the production of agricultural produce or products, livestock or poultry on farms, and the parts of such machines, machinery or equipment. Where any used machine, machinery or equipment which is used in planting, cultivating and harvesting farm products, or used in connection with the production of agricultural produce or products, livestock and poultry on farms is taken in trade or in a series of trades as a credit or part payment on the sale of a new or used machine, machinery or equipment, the tax levied herein shall be paid on the net difference – the price of the new or used machine, machinery or equipment sold, less the credit for the used machine, machinery, or equipment taken in trade.

*NOTE: Riding lawnmowers, tractors, backhoe, etc., that are not used as farm equipment are taxable at the 2% automotive rate.*

**2% AUTOMOTIVE VEHICLES:** applies to the retail sales of automotive vehicles, truck trailers, semi trailers, and house trailers. Where any used automotive vehicle, truck trailer, semi trailer, or house trailer is taken in trade, the tax is due on the net difference – the price of the new or used vehicle sold less the credit for the used vehicle taken in trade.

**3% FOOD SOLD THROUGH VENDING MACHINES:** applies to the retail sale of food and food products for human consumption, not including beverages other than coffee, milk, milk products, or substitutes therefor which are sold through vending machines.

fee, milk, milk products, or substitutes therefor which are sold through vending machines.

Non-food items (carbonated beverages, gum, antacids, etc.) sold through vending machines are taxed at 4% on the gross receipts.

**4% GENERAL RATE:** applies to the retail sales of any tangible personal property except the items mentioned above. Also applies to gross receipts of places of amusement or entertainment. Examples would include bowling alleys, athletic contests, football games, skating rinks, golf courses, bingo, etc.

**LOCAL SALES TAX:** The applicable local sales tax rate should be charged in addition to the state sales tax.

### Due Dates For Sales Tax

A taxpayer whose total state sales tax liability averages less than two hundred dollars (\$200) per month during the preceding calendar year may elect to file and pay state sales tax and state-administered local sales taxes on a calendar quarter basis. The election to file and pay quarterly must be made in writing to the Alabama Department of Revenue no later than February 20 of each year in which the taxpayer wishes to file and pay taxes quarterly. Quarterly returns and payments are due by the 20th of January, April, July, and October for the previous calendar quarter's sales.

A taxpayer whose total state sales tax liability during the preceding calendar year was ten dollars (\$10) or less shall file and pay state sales tax and state-administered local sales taxes annually. The annual return and payment is due by January 20 for the previous year's sales.

Taxpayers who do not qualify to report and pay taxes annually or do not qualify and elect to file and pay taxes quarterly must report and pay state sales tax and state-administered local sales taxes on a monthly basis. Monthly tax returns and payments are due by the 20th of each month for the previous month's sales.

A DISCOUNT is allowed if the tax is paid on or before the date the tax is due.

**Example 1:** Tax due = \$100 or less – 5% discount allowed. If tax due = \$65 then discount would be \$3.25 (\$65 x .05).

**Example 2:** Tax due = over \$100 – 5% on \$100 – 2% on over \$100. If tax due = \$140 then discount would be \$5.80.

\$100 x 5%	= \$5.00 plus
\$ 40 x 2%	= <u>.80</u>
Total discount =	\$5.80

Please note that the monthly discount may not exceed \$400. PENALTY and INTEREST is due if the tax is paid after the 20th day of the month in which the tax is due.

PENALTY (Failure to timely file) – 10% of the tax required to be paid or \$50, whichever is greater.

PENALTY (Failure to timely pay) – 10% of the delinquent tax.

INTEREST – due at the current rate.

### Sales Where No Tax Is Due

#### Sales of Exempt Items

(partial list – list includes more common items):

1. lubricating oil
2. gasoline
3. livestock feed
4. fertilizer and insecticides when used for agricultural purposes.
5. labor – labor to repair or install property is exempt as long as it is billed as a separate item on the customer's invoice. (Labor to fabricate an item is not exempt.)

*NOTE: Cigarettes and beer are NOT exempt from sales tax.*

#### Sales to Exempt Organizations

1. State of Alabama and Counties and Cities within the State.
2. Schools (not daycares) within the State.
3. Some organizations are exempt by a special act passed by the Legislature. Example – Alabama Sheriffs Boys Ranch, Boy & Girl Scouts of America. Not all non-profit organizations are exempt.
4. County and City owned and operated hospitals and nursing homes.

*NOTE: A church is NOT exempt from sales tax.*

#### Sales Paid For With Food Stamps

Exemption applies only to items which are actually purchased with food stamps. All other purchases by food stamp program participants remain subject to sales tax.

#### Wholesale Sales (sales for resale)

A sale of tangible personal property to a licensed retail merchant, jobber, dealer, or other wholesaler for resale. It does not include a sale to users or consumers that is not for resale. The seller must maintain the sales tax number or exemption number for these customers.

*NOTE: When making an exempt sale, it is your (the seller's) responsibility to make certain that the sale is a legitimate exempt sale.*

#### Miscellaneous Information

**Withdrawals** – Items purchased at wholesale which are withdrawn for use are subject to sales tax. A withdrawal would include any items that are purchased tax free for resale but are used by the owner/employees instead of being sold. The cost of these items should be reported on the sales tax report on line 1.(b).

**Example:** Food, cleaning supplies, etc., taken from the inventory at a grocery store and used for personal use. Free meals served to owner or employees at a restaurant.

A WITHDRAWAL also includes the cost of items withdrawn from inventory and used by the seller and/or his employees in making additions to real property.

**Example:** Contractor operating a business selling building materials. The building materials withdrawn from the inventory and used by the owner/contractor in making additions to real property (constructing a home/building, making repairs to a building, etc.) for jobs in the state or out of state are considered a *withdrawal* with the tax being due on the cost of such items *at the time and place of withdrawal*. The building materials sold to customers for their own use are subject to tax at the selling price.

**Privilege Licenses** are required for most businesses. They are purchased from the License Commissioner or Probate Judge at the county courthouse in the county where your business is located.

#### Consumers Use Tax

Items purchased for use in Alabama from out-of-state vendors on which Alabama tax has not been charged may be subject to consumers use tax. Rate due is the same rate as for sales tax.

#### Due Dates For Consumers Use Tax

A taxpayer whose total state use tax liability averages less than two hundred dollars (\$200) per month during the preceding calendar year may elect to file and pay *state* use tax on a calendar quarter basis. A taxpayer whose total state sales tax liability averages less than two hundred dollars (\$200) per month during the preceding calendar year *and* whose total state use tax liability also averages less than two hundred dollars (\$200) per month during the preceding calendar year may elect to file and pay *state-administered local* use taxes on a calendar quarter basis. The election to file and pay quarterly must be made in writing to the Alabama Department of Revenue no later than February 20 of each year in which the taxpayer wishes to file and pay taxes quarterly. Quarterly returns and payments are due by the 20th of January, April, July, and October for the previous calendar quarter's purchases.

A taxpayer whose total state use tax liability during the preceding calendar year was ten dollars (\$10) or less shall file and pay state use taxes annually. A taxpayer whose total state sales tax liability during the preceding calendar year was ten dollars (\$10) or less shall file and pay state-administered local use taxes annually. The annual return and payment is due by January 20 for the previous year's purchases.

Taxpayers who do not qualify to report and pay use taxes annually or do not qualify and elect to file and pay use taxes quarterly must report and pay state use tax and state-administered local use taxes on a monthly basis. Monthly tax returns and payments are due by the 20th of each month for the previous month's purchases.